OIL SPILL ADVISORY COUNCIL FUNDING
EXISTING OIL SPILL PROGRAM FUNDING
Revised 06/06/06

Per Barrel Tax and Export Credit/Refunds

- Tax on “first entry” oil and product into the State (except pipelines)
- Gross revenue CY 04 & CY 05 of nearly $7.5M per year
- Export credit CY 04 & CY 05 of some $2.5M per year
- Tax refunds between FY 1998 and FY 2005 average $830,000 per year
- Net oil spill program funding averages between $4.0M and $5.0M per year
- Revenue is placed in the Oil Spill Prevention Account and the Oil Spill Response Account
- Credits and refunds more predictable now, but fluctuations are still difficult to manage in order to maintain consistent programming
- Sources: Washington State Department of Revenue/Washington State Department of Ecology

State Hazardous Substance Tax

- Tax on industries handling, processing, storing or transporting hazardous substances
- State DOE spill funding for the 05-07 Biennium totals some $6.8M
- Revenue is placed in the State Toxics Account with $3.2M allotted for the spills response program and $3.4M allotted for drug lab cleanup
- Historically the drug lab cleanup program has received some 50% of the funds available, but this level has been declining in recent years. The legislature in 2006 essentially removed the “meth” proviso to allow expenditure of tax funds in excess of that which is required for drug lab clean up to be utilized for other hazardous substance program purposes
- Funding levels for the oil spill program are still likely to vary over time depending on drug lab clean up requirements
- Source: Washington State Department of Ecology

Natural Resource Damage Assessments and Oil Spill Penalties

- Funding is obtained from natural resource damage assessments and a portion of oil spill penalties

- Appropriations for the 05-07 Biennium total some $7.0M to the Oil Spill Response Account and $1.8 to the Coastal Protection Account
- Funding use is largely restricted to restoration and cleanup
- Funding levels are uncertain depending on the number and extent of spills and related damages
- Source: Washington State Department of Ecology

Transfer Fees and Penalties

- Funding is obtained from title transfer fees and a portion of oil spill penalties
- Revenue is placed in the Vessel Response Account
- Appropriations for the 05-07 Biennium totals some $2.9M
- Funding use is restricted to providing a rescue tug and related support
- The title transfer funding portion expires in 2008
- Source: Washington State Department of Ecology

Miscellaneous Taxes and Fees

- Cargo vessel bunker fuel consumption tax (need details other than the tax is based on miles traveled in Washington State waters
- Derelict vessel fee of $2.00 on recreational boat licenses to pay for removal, restoration, clean up etc of derelict vessels and any oil or fuel contained on them (need details on amounts etc.)
- Source: Washington State Oil Spill Advisory Council Members

POTENTIAL OIL SPILL FUNDING

Per Barrel Export Tax Exemption

- Existing per barrel tax is on “first entry”; subsequent movement (export and intrastate) is exempt from the tax
- Rational for the tax is the risk of spill from the transport oil and refined product—one trip is as risky as another whether it is first entry or subsequent movement
- Rationale for the export exemption was keeping Washington oil competitive
- An interstate compact between Washington, Oregon and California to either establish a common per barrel tax and or to establish a process for

jointly setting a common per barrel tax would eliminate the competitiveness issue

- A portion of the export tax exemption includes oil and refined product transported by tanker ship or barge to intrastate locations for which the interstate competitiveness issue is not a significant factor
- Eliminating the exemption would require legislation
- Revenue would be both sufficient and stable
- Over the past several years credits (prior to paying the tax) have averaged $2.5M per year and refunds (after having paid the tax) have averaged $830,000 per year
- Source: Credit and refund data from the Washington State Department of Revenue and Washington State Department of Ecology

One-Cent Per Barrel Tax Limit

- Presently one-cent of the per barrel tax is placed in the Oil Spill Response Account (OSRA) up to a cap of $9.0M in the fund after which the tax reverts to a $.04 tax until the fund is drawn down
- The OSRA cap is legislatively set at $25M, funding requirements for the OSPA resulted in several large legislative approved transfers from OSRA to OSPA with corresponding temporary biennial reductions in the OSRA cap to first $10M and then to $9.0M
- Adequacy of the $9.0M OSRA cap needs to be determined; oil spill response funding from the Federal Trust Fund presently off sets some or all of the state expenditures from the OSRA—however delays (often substantial) in receipt of funds required for a prompt and urgent response to an oil spill from Federal sources or reimbursement from those responsible for spills require a significant level of readily available state funds
- Legislation would be required further change the OPRA cap limits
- Revenue would be significant and stable
- Collection in place
- If further reductions in the current $9.0M cap are possible then additional portions of the one-cent OSRA contribution would be available for OSPA purposes
- Continuing to collection the one-cent portion of the tax after the existing $9.0M cap is reached but placing the excess into the Oil Spill Prevention Account (OSPA) would provide an additional revenue of between $.10M to $1.5M per year depending on the level of the OPRA at any point in time
- Source: Washington State Department of Ecology

Increase the Per Barrel Tax

- When the per barrel tax was established oil was selling at a much lower cost—today it is at or near $70 per barrel

- Costs for an adequate (or state-of-the art) prevention, preparedness and response program have also increased significantly
- Legislation would be required to increase the per barrel tax
- Revenue would be significant and stable
- Collection in place
- Limited opposition with the exception of the oil producing, transportation, refining and distribution industry
- Increasing the per barrel tax to $.06 would produce additional revenue of $1.5-2.0M per year. Note that currently the OSPA realizes some $6.0M of revenue based on a per barrel tax of $.04 which equates to some 150MB of taxable oil each year. Depending on the level of the OSRA with a per barrel tax increase of $.01 at least $.05 or an additional $1.5M would go the OSPA with potentially more if the OSRA was maintaining its $9.0M level and the one-cent surplus exclusion was eliminated.
- Source: Washington State Department of Revenue and Washington State Department of Ecology

Cargo Vessel Moorage Fee

- In 2004 nearly 1,400 cargo and passenger vessels over 300 gross tons made nearly 3,000 entering transits bound for Washington State ports
- Oregon as well as other states has imposed a moorage fee to support its oil spill program on vessels which dock at state ports
- It is understood that either a state or federal tax is presently in place on cargo vessel bunker fuel consumption based on Washington State waters transit miles; revenue on an annual basis is some $_____per year; the revenue provides funds for________
- Collection of a moorage fee surcharge could be accomplished largely through the ports
- Competitiveness would not be a significant issue since all Washington ports would collect the same fee
- A moorage fee of $500 per entry into the state would produce some $1.5M
- Source: Washington State Ports and Oil Advisory Council Members

Pipeline Per Barrel Tax

- Four major pipelines in Washington State carrying crude oil and refined product
- Pipelines carry nearly 100 million barrels annually
- Much of the pipeline volume is destined for consumption in the state
- Collection would be relatively easy; legislation would be required; risk to the environment, natural resources and health and safety of the state's citizens from risk of explosion, fire and spills is significant
- Extension of the per barrel tax at $.05 would produce $5.0M per year
- Source: Washington State Agencies

Tank Barges

- Tugs towing tank barges made over 3,100 transits in Puget Sound in 2004 with 640 transits in the Strait of Juan de Fuca and 820 transits in and out of the Columbia River
- While the volume of oil and products carried by tanker barge is lower than that carried by tanker ships the large number of tanker barges transits produces significant spill risk
- Tank barges can carry between 15,000 to 95,000 barrels of oil in a single transit
- An estimated total of _____barrels of oil and refined product were in transit on Washington State waters in 200_; of this only _____barrels were considered “first entry oil” subject to the per barrel tax
- Elimination of the per barrel tax export exemption would create a tanker barge revenue stream on all oil and refined product transiting state waters
- Additional revenue for the oil spill program from this source would be incorporated in the export elimination section above
- Source: Various reports

Railroad Transfer Fee

- Between 1998 and 2006 there were nearly 150 spills involving railroad oil cargos
- Spills during this period amounted to nearly 40,000 gallons of oil
- A transfer fee could be imposed on the loading or unloading of oil to be transported by rail
- Legislation would be required; interstate commerce issues may be a problem; collection would be difficult; quantity data not available to date
- Revenue amount is estimated at $_____per year
- Source: Various Sources

Truck Line Transfer Fee

- Trucks transporting oil and product were involved in over 1600 spills between 1998-2006 (need additional breakdown, where, what, damage etc.)
- Spills during this period amounted to over 136,000 gallons of oil/product
- Fuel is delivered to markets from some 20 major distribution centers
- A transfer fee could be imposed on the loading or unloading of oil to be transported by truck—legislation would be required; collection would be difficult due to the large number of truck lines
- Amount of oil transported annually by truck is estimated to be more than _______gallons

- Revenue to be realized from a truck oil transport fee is estimated at $____per year

Port Moorage Fee

- Some 76 public ports operate in Washington State
- Deep-draft ports include seven in the Puget Sound, onethe Pacific Coast and 3 on the Columbia River
- The Port of Seattle and Port of Tacoma represent the second largest container port complex in the US
- The 17 largest ports in the state handled nearly 56 million metric tons of goods and materials in 2005
- A moorage fee on cargo vessels, barges and other large vessels could be imposed; legislation would be required, collection would be through the port organizations; all ports would impose the same fee
- The Port of Seattle alone in 2005 had 898 container ships, 170 cruise ships, 184 barges and 93 other bulk carriers
- A moorage fee of $500 per transit at the Port of Seattle would produce over $670,000 in additional funding; other state port volumes more than double Seattle's volume and could add another $600,000-$800,000 in revenue for a total of $ 1.2-$1.5M on an annual basis
- Source: Washington Ports

Marinas

- Washington State has 350 public and private marinas
- Marina traffic includes some 2000 fishing vessels; 165,000 power boats; 21,500 sailboats
- Fueling facilities are often provided
- Much marina activity is seasonal with varying revenue potential
- Moorage and fueling volume is estimated at _______
- Collection would be difficult
- Opposition likely from power boat owners and others
- Based on the number of the number of recreational boats utilizing marina moorage and refueling facilities potential revenue could be in the range of $____ to $____
- Source: Washington State Department of Ecology

Cruise Lines

- In 2005 170 cruise ships entered Puget Sound carrying some 686,000 passengers
- Cruise ships have only recently been calling at Washington ports; numbers are expected to increase

- Cruise ship business would be heavily impacted by major oil spills on the coast or in the sound
- Revenue would be seasonal and vary depending of traffic volumes
- Legislation could be difficult; interstate commerce issues may be a problem
- Increased fees in Washington State could cause relocation of cruise line docking to other areas (Vancouver BC, Portland, California)
- Washington investment in cruise line docking facility and infrastructure support is estimated at $______; economic returns from cruise line docking (passengers, crews, re-supply etc) are estimated at $____annually
- Based on 2005 entry level a moorage fee of $1,000 would produce $170,000; a $2.00 per passenger fare surcharge would produce $1.4
- Source: Washington Public Ports

US Navy

- Navy has multiple ports of call and ship traffic in Washington State waters
- Are at risk of spilling and are at risk from spills interfering with operations
- In kind contributions are the most likely possibility
- Response equipment depots are in other locations; one could be established here
- Requires negotiation with the federal government and possible congressional action
- Dependent on annual federal appropriations
- Limited value to prevention programs, reasonable value to preparedness programs and potentially significant value to response programs
- Equivalent dollar amounts are estimated to be $_____annually

US Coast Guard

- USCG has a significant role in marine traffic management and spill issues
- Have significant port and vessel presence in state waters
- In kind services could be added with additional equipment, personnel, vessels and locations
- Limits are the same as the Navy above
- Marine traffic system is a key component of an effective spill prevention program
- Interface with rescue and escort tugs is essential
- Equivalent dollar amounts are estimated to be $_____annually

Pilotage Fee

- Large vessels entering state waters are required to utilize a pilot
- Over 4,000 transits per year

- Two Pilot Districts exist in Washington State (1) Puget Sound and (2) Greys Harbor
- The state imposes a fee of $3,000 per year for issuance of each pilot licence
- Revenue amounts to $342,000 (FY 05)
- Revenue is utilized to fund the State Board of Pilotage Commissioners
- Legislation would be required to increase fees or to impose fees on shipowners
- Opposition from pilots, shipowners and other should be expected
- Collection would be difficult since pilots are paid directly by shipowners
- Revenue depends on traffic volumes
- Based on a surcharge of $500 per transit potential revenue from shipowner sources is estimated at $2.0M
- Source: Pilot License Fees from Washington State Legislature Transportation Taxation Report

Derelict Vessels

- Derelict vessels pose a risk due to the potential for leaking and or spilling oil and fuel products
- Derelict vessels may sink which creates a potential long term problem of long term oil/fuel leakage
- An estimated ________derelict vessels per year are located in state waters or harbor/beach areas
- Concerns exist about derelict fishing or commercial vessels being sold as recreational vessels to avoid clean up costs
- Recreational boat license fees now include a $2.00 portion to fund a derelict vessel program ($330,000 per year)
- Depending on funding requirements for the derelict vessel program could be increased—doubling them to $4.00 per year would produce nearly $700,000 in revenue
- Source: Washington State Oil Advisory Council and Washington State Department of Ecology

Recreational and other Small Boats

- Large number of small boats operate on state waters (165,000 power; 21,500 sail; 2000 fishing)
- Major spills would have serious impacts on recreational boating
- Numerous minor spills from fueling activities are likely
- Vessel Registration Fees are presently $10.50 per year; revenue in excess of $1.1M ($1.1M to State General Fund) is distributed to counties with approved boating safety, education and law enforcement programs as approved by the Washington State Parks and Recreation Commission;

boats under 16 feet with motors less than 10 hp, government, military, out of state, international and commercial fishing vessels are exempt; registration revenue for the 05-07 Biennium is estimated at $5.9M

- A watercraft excise state tax of ½ of 1 percent is charged on all vessels; revenue is placed in the State General Fund for support of boating safety, boating site procurement, water craft sewage facility development, registration enforcement and education programs; revenue for the 05-07 Biennium is estimated to be $22.8M
- Potential revenue for the oil spill program could be obtained from registration and excise tax surcharges; fueling fees; moorage fees
- Legislation required
- Opposition from boat owners and others likely
- Revenue seasonal (fueling and moorage fees)
- Two cycle outboard motors need to be evaluated
- Revenue could be substantial but variable depending on the economy, weather, fuel prices etc.—an increase in the vessel registration fee of $5.00 per vessel per year would produce nearly $1.0M; an increase of 1 per cent in the water craft excise tax would produce some $46M per biennium
- Source: Recreation and fishing vessel numbers—Washington State Department of Ecology; Vessel Registration Fees and Watercraft Excise Tax data—Washington State Legislature Transportation Tax Report

Title Transfer Fee

- The state imposes a fee of $5.00 for transfer of title and a fee of $15.00 inspections of previously registered vehicles or $50 for newly registered vehicles; revenue is distributed to the Vessel Response Account, the multi-modal program, the Transportation 2003 (nickel) program and the air pollution control program; after 2008 the funds allocated to the Vessel Response Account and the air pollution control program are to be reallocated to the Transportation 2003 program; revenue estimates for the 05-07 Biennium for title transfers is $23.3M and for the inspection program is $16.6M; increasing the title transfer fee by $1.00 produces an additional revenue of $4.7M per biennium
- The present Vessel Response Account can be maintained by extending present title transfer fee allocation from the motor vehicle fund to the Vessel Response Account beyond the 2008 expiration date in current law.
- Continues funding for the rescue tug program as currently exists
- Legislation required
- Revenue base is stable
- Collection ease
- Revenue source currently provides $_____; increasing the title transfer tax by $1.00 for the oil spill program would increase revenue to the Vessel Response account by $4.7M per biennium

- Source: Washington State Legislative Transportation Tax Report

Airplanes

- Large number of commercial flights; more limited number of commercial and private flights
- Commercial flights use substantial quantities of fuel; deliveries from the Olympic Pipeline to Sea-Tac are in the range of 9 million barrel per year
- Commercial flights could involve interstate commerce issues
- Options include a surcharge on airplane fuel, registration fees or landing fees
- Legislation and negotiation with the federal government may be required
- Absent spill data from airport/airplane sources justification would be difficult
- Revenue would be stable and could be significant
- Collection would be difficult
- Additional revenue from a $.01 per barrel surcharge on aircraft fuel would produce in excess of $100,000 per year
- Source: Washington State Department of Revenue

Department of Fish and Wildlife Allocation

- The Department of Fish and Wildlife currently receives an allocation from oil spill tax revenue sources
- The purpose of the tax allocation is to support the Department's efforts to protect wildlife (sea birds) impacted by oil spills
- The Department receives over $1.0M per fiscal year irrespective of spill and impact levels
- Returning this funding to the oil spill prevention program would support the need for a consistent prevention program and reduction in spills
- In the event of a spill impacting wildlife and fishery resources funding could be made available from the OSRA on an as needed basis
- Source: Washington State Department of Ecology

University of Washington

- The University of Washington receives some $175,000 each year in oil spill tax revenues
- The University utilizes these funds to provide a (research and communication?) program on oil spill impacts and damages
- The University charges a 40% overhead fee against this revenue source
- Consolidating these funds with other funds available to the Council could provide a more efficient and effective research and communication program with an increased focus on oil spill program issues

- Source: Washington Department of Ecology

FUTURE TAX REVENUES

Price and Volume

- Recent price increases have slightly slowed oil consumption
- Price impacts are likely to only marginally effect volume over the near future
- New technology and fuel/energy sources could have a significant impact once fully developed and deployed

Oil Consumption

- The US Government currently forecasts energy consumption to increase at slightly over 1 per cent per year through 2030
- Petroleum which makes up over one half of energy consumption is expected to grow at the same rate
- The fastest growth in petroleum is projected for transportation
- While higher prices will impact transportation to an extent, economic growth and increased numbers of people will likely create a net growth
- It will take major changes in consumer behavior and the availability of significant alternative fuel sources to materially reduce petroleum consumption in the near term

Transportation

- Transportation presently accounts for 87 percent of petroleum consumption
- Energy use for freight trucks is expected to increase by over 60 percent by 2030 followed by increases of nearly 50 percent for aircraft and over 40 percent for light duty vehicles

Washington State Consumption

- The Washington State Department of Revenue estimates that oil consumption in Washington State will mirror that of the nation as a whole over the next 20 years (1.1%)
- There is some expectation that Washington’s near term consumption rates through 2009 could exceed the national average
- If Washington State growth rates or oil consumption rates continue to exceed those of the nation as a whole then oil consumption rates in this state could increase to 5 per cent annually over the short term
- It is likely that the long term increase in oil consumption will range between 1 to 3 percent

Forecast Sources: US Department of Energy, Energy Information Administration Energy Outlook Report; Washington State Department of Revenue: Washington State Department of Ecology